



February 2019

## Union Pacific Corporation

## Cautionary Information



This presentation and related materials contain statements about the Company's future that are not statements of historical fact, including specifically the statements regarding the Company's expectations with respect to economic conditions; its ability to generate financial returns, improve resource productivity and use innovation to enhance customer experience; implementing corporate strategies; and providing excellent service to its customers and returns to its shareholders. These statements are, or will be, forward-looking statements as defined by the Securities Act of 1933 and the Securities Exchange Act of 1934. Forward-looking statements also generally include, without limitation, information or statements regarding: projections, predictions, expectations, estimates or forecasts as to the Company's and its subsidiaries' business, financial, and operational results, and future economic performance; and management's beliefs, expectations, goals, and objectives and other similar expressions concerning matters that are not historical facts.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times that, or by which, such performance or results will be achieved. Forward-looking information, including expectations regarding operational and financial improvements and the Company's future performance or results are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statement. Important factors, including risk factors, could affect the Company's and its subsidiaries' future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements. Information regarding risk factors and other cautionary information are available in the Company's Annual Report on Form 10-K for 2018, which was filed with the SEC on February 8, 2019. The Company updates information regarding risk factors if circumstances require such updates in its periodic reports on Form 10-Q and its subsequent Annual Reports on Form 10-K (or such other reports that may be filed with the SEC).

Forward-looking statements speak only as of, and are based only upon information available on, the date the statements were made. The Company assumes no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information. If the Company does update one or more forward-looking statements, no inference should be drawn that the Company will make additional updates with respect thereto or with respect to other forward-looking statements. References to our website are provided for convenience and, therefore, information on or available through the website is not, and should not be deemed to be, incorporated by reference herein.



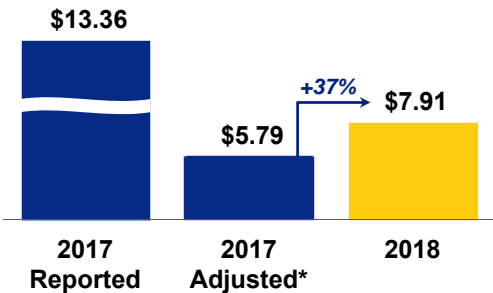
February 2019

# Current Overview / Business Update

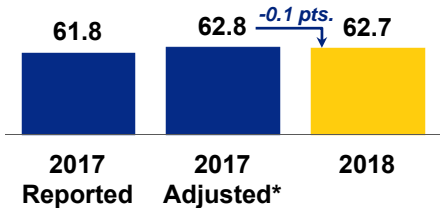
## 2018 Full Year Results



### Earnings Per Share



### Operating Ratio



\*Adjusted to exclude the impact of Corporate Tax Reform. See Union Pacific website under Investors for a reconciliation to GAAP.

# Commodity Group Mapping

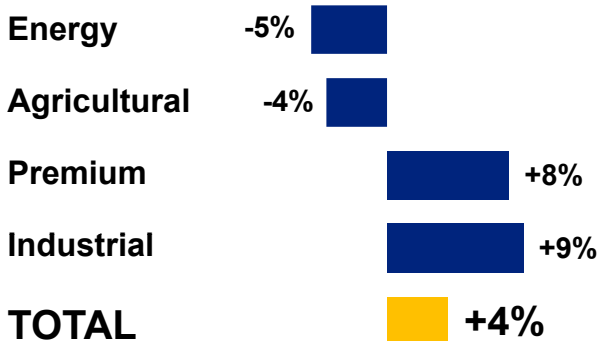


Agricultural Products	Energy	Industrial	Premium
Grain	PRB Coal	Construction	Dom Intermodal
Grain Products	Other Coal	Industrial Chem	Int'l Intermodal
Food & Beverage	Frac Sand	Plastics	Finished Vehicles
Fertilizer	Petroleum & LPG	Forest Products	Auto Parts
	Renewables	Specialized	
		Metals & Ores	
		Soda Ash	

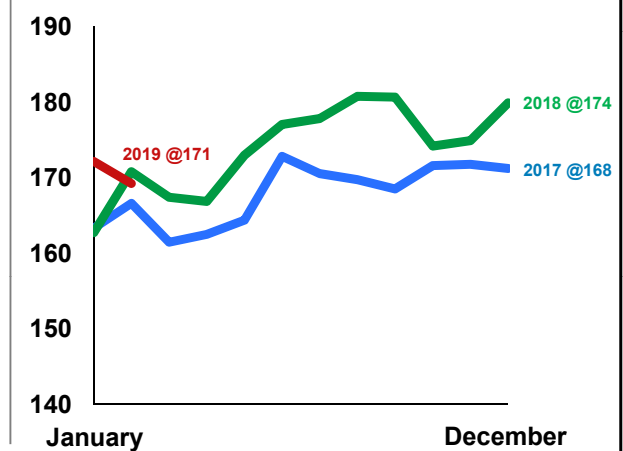
# 2019 Business Trends



2019 1QTD Volumes\*  
(vs 2018)



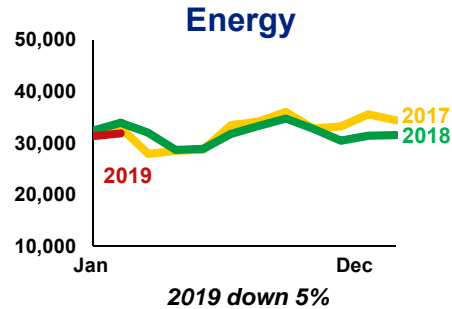
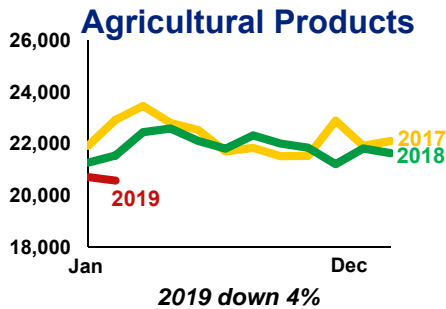
7-Day Monthly Carloadings  
(000s)



\* Through February 11, 2019

## 7-Day Volume Trends

Through February 11, 2019



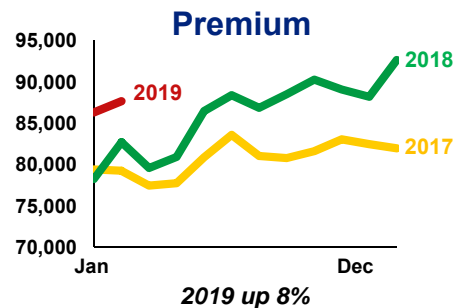
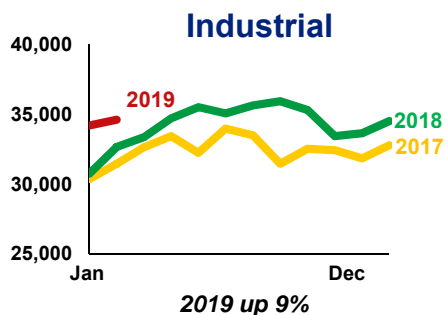
- Grain Inventories
- Export Market Fundamentals
- Food & Refrigerated Shipment Demand

- Natural Gas Prices
- Inventory Management
- Weather & Economy
- Frac Sand Demand
- Crude Oil Prices & Spreads

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## 7-Day Volume Trends (cont)

Through February 11, 2019



- Construction-Related Materials
- Housing Activity
- U.S. Dollar Impact
- Plastics Demand
- Base Chemicals Remain Solid

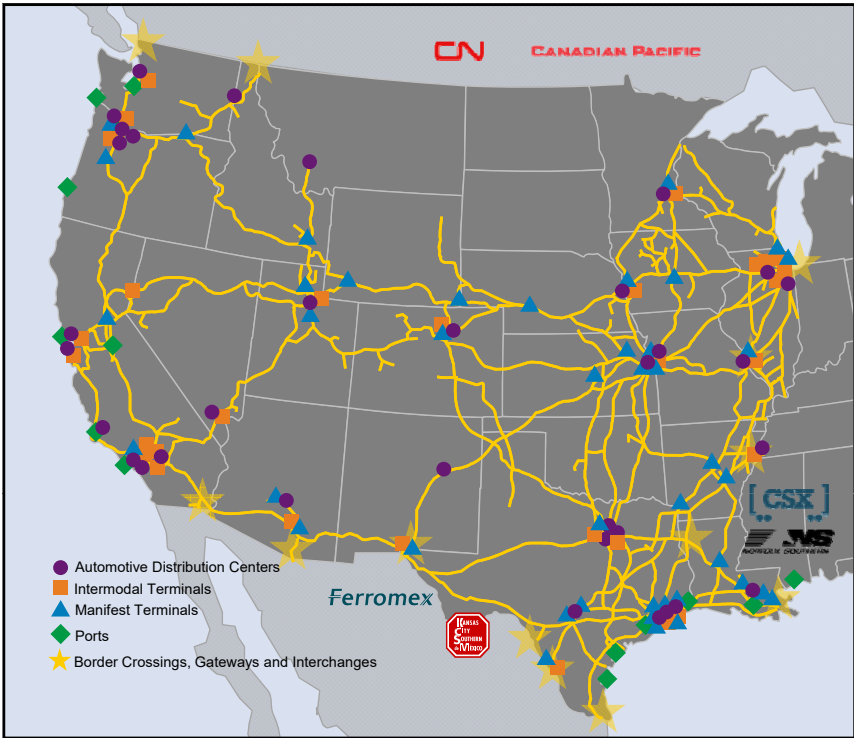
- North American Production & Sales
- Over-the-Road Parts Conversions
- Intermodal Market Fundamentals
- Transpacific Market Challenges

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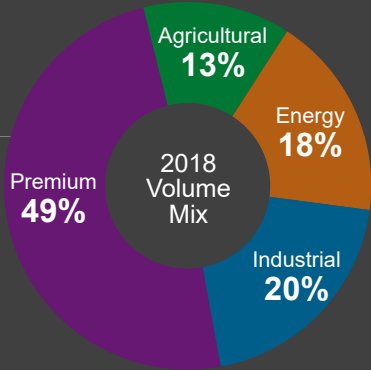
February 2019

# Business Team Review



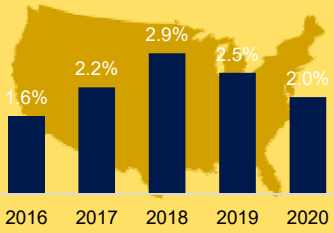
## Strength of a Unique Franchise

2018 Revenue  
**\$21.4 B**

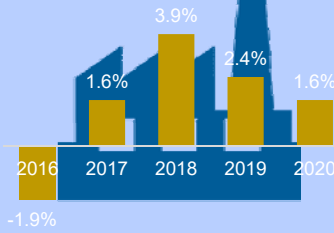




### Gross Domestic Product



### Industrial Production



## U.S. Economy

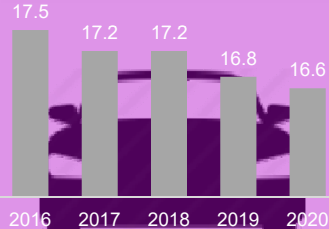
Industrial Production

International Trade Dynamics

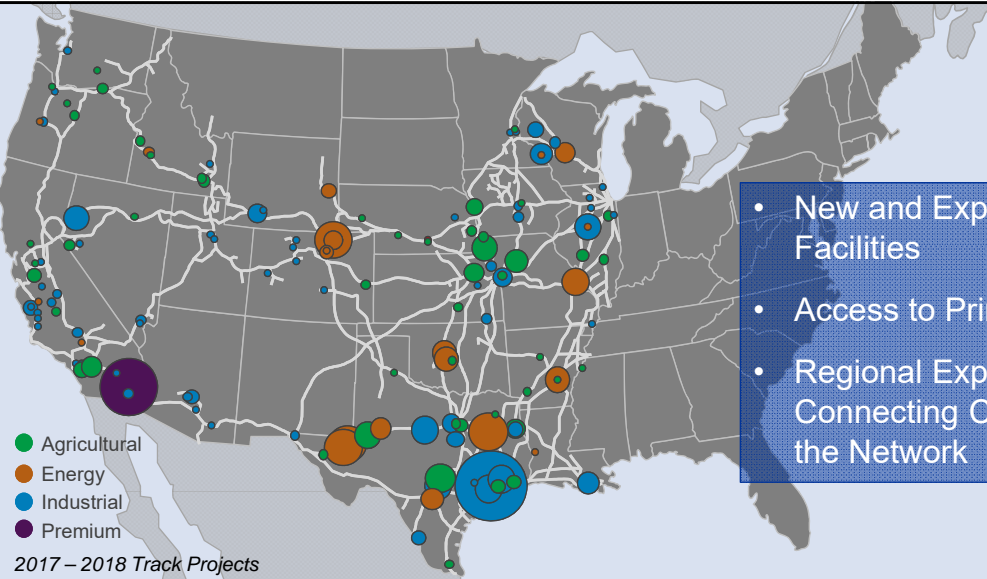
### Housing Starts (millions)



### Light Vehicle Sales (millions)



Source: Global Insight



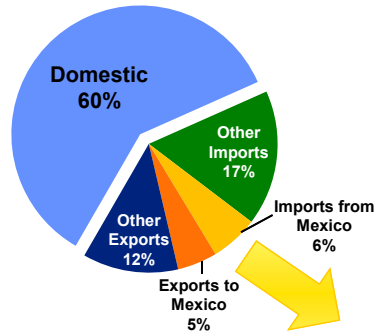
- New and Expanded Facilities
- Access to Prime Locations
- Regional Experts Connecting Customers to the Network

## Maximizing the Franchise

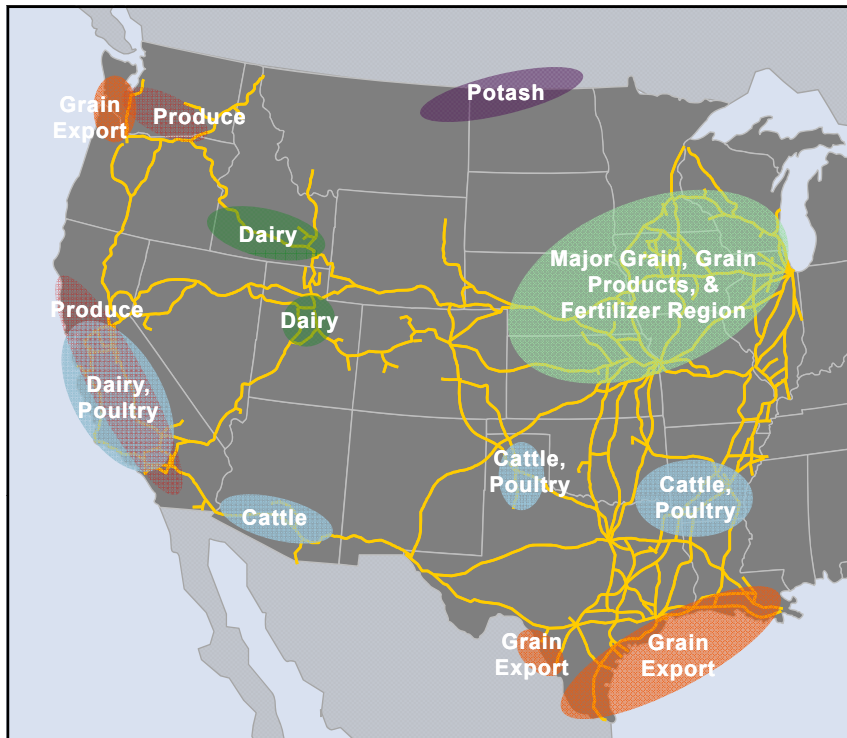
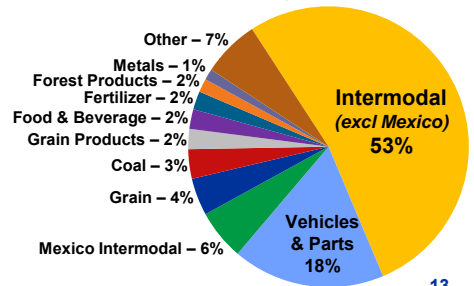
# International Trade

- Diverse Franchise Creates Opportunity
- Off-shoring / Near-shoring of U.S. Manufacturing
- Demand for Grain and Food
- Low Natural Gas Prices Favor U.S. Plastics Production
- Impacts from a Strong U.S. Dollar
  - Negative: Steel, Grain, Coal
  - Positive: International Intermodal

## 2018 Freight Volumes



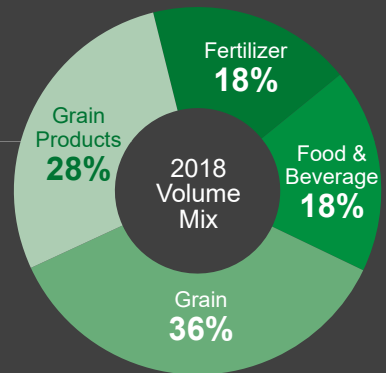
## International Volumes (3.5M carloads)



## Agricultural Products

2018 Revenue

\$4.5 B



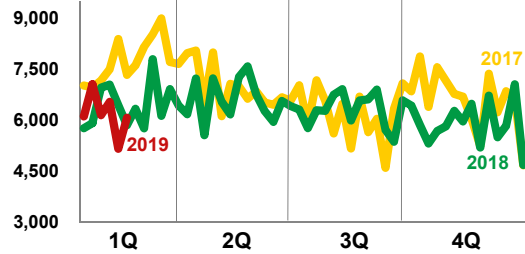
# Agricultural Products

- Grain Inventory Management
- Export Market Fundamentals
- Food & Beverage Shipment Demand

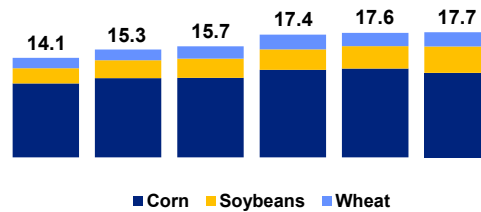


\*Through February 9, 2019

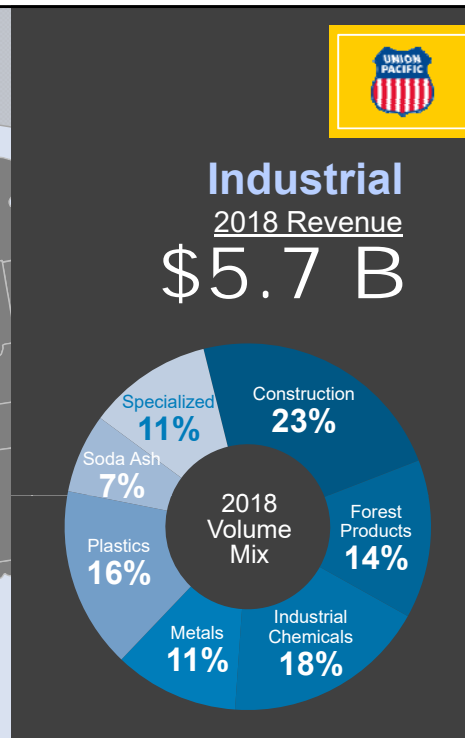
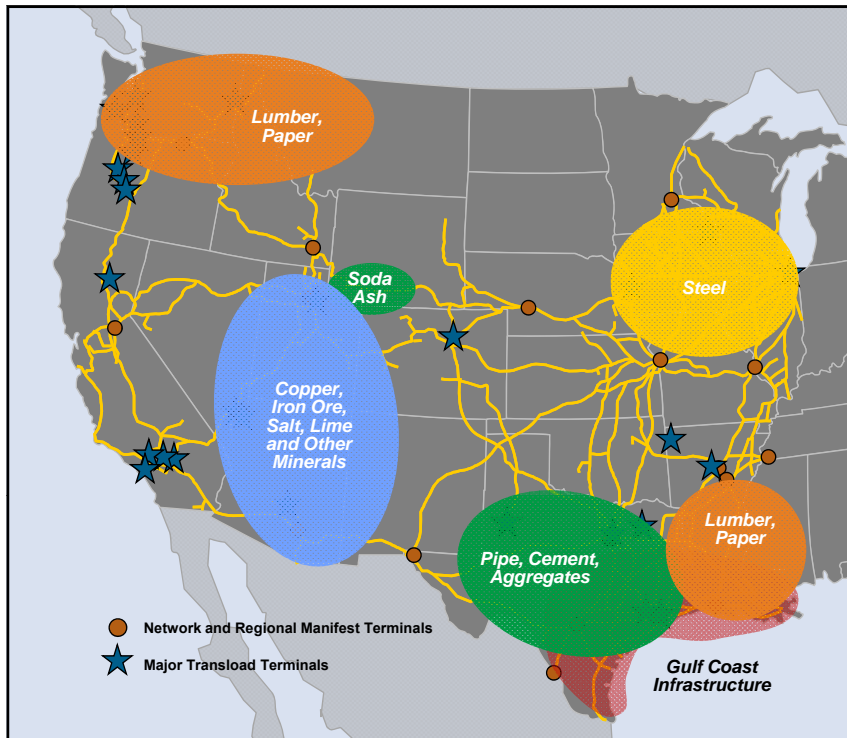
## UNP Weekly Grain Carloads\* (As reported to the AAR)



## U.S. Grain Stocks\*\* (Bushels in Billions)



\*\*Source: USDA; As of December 1st



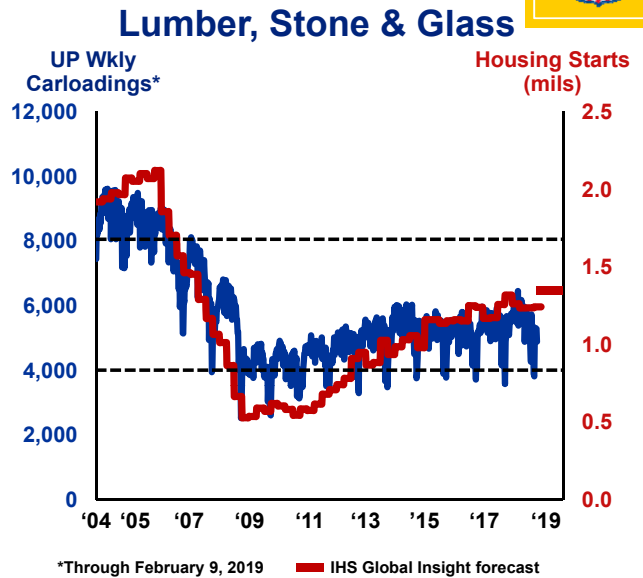


# Housing Trends



- Housing Market still well Below Historical Averages
- UP Lumber, Stone & Glass Business Correlates with Housing Starts
- Housing also Drives Appliances, Roofing, Rebar, Aggregates, and Cement Demand

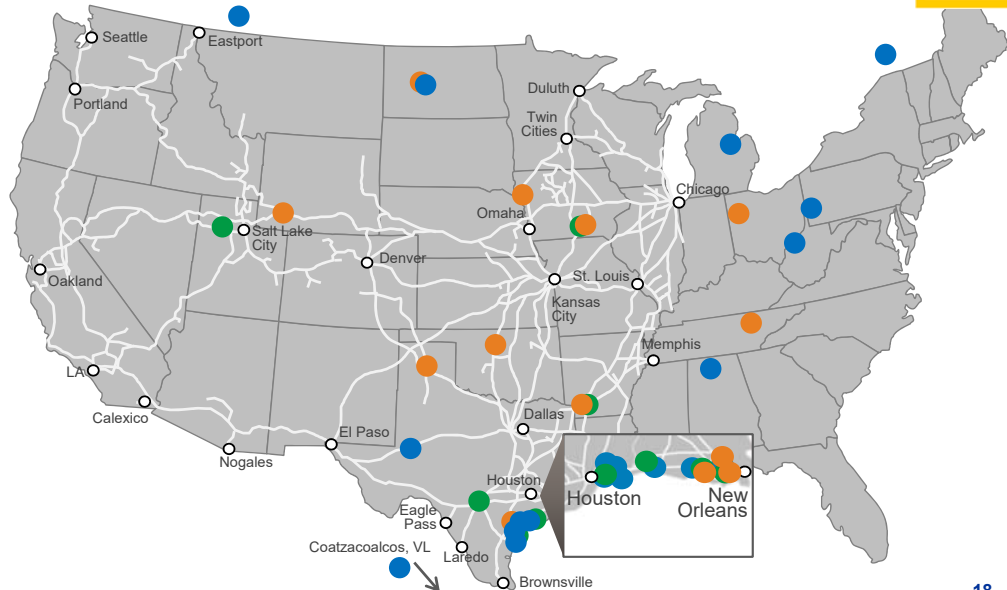
Housing related Shipments Represent ~ 5-10% of Current UP Volumes



# Chemical Opportunities North America Announced Expansions



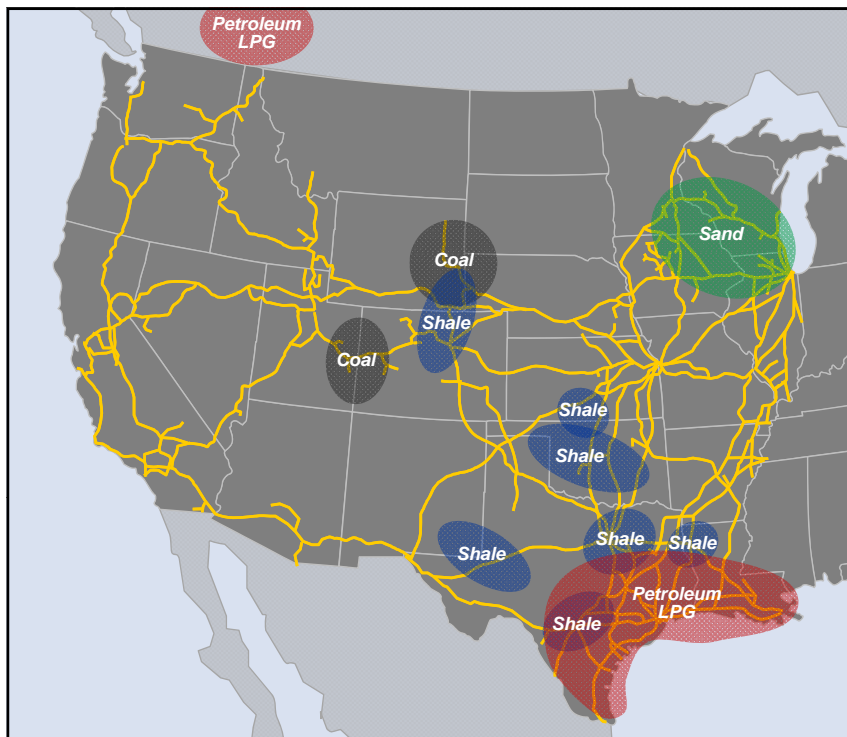
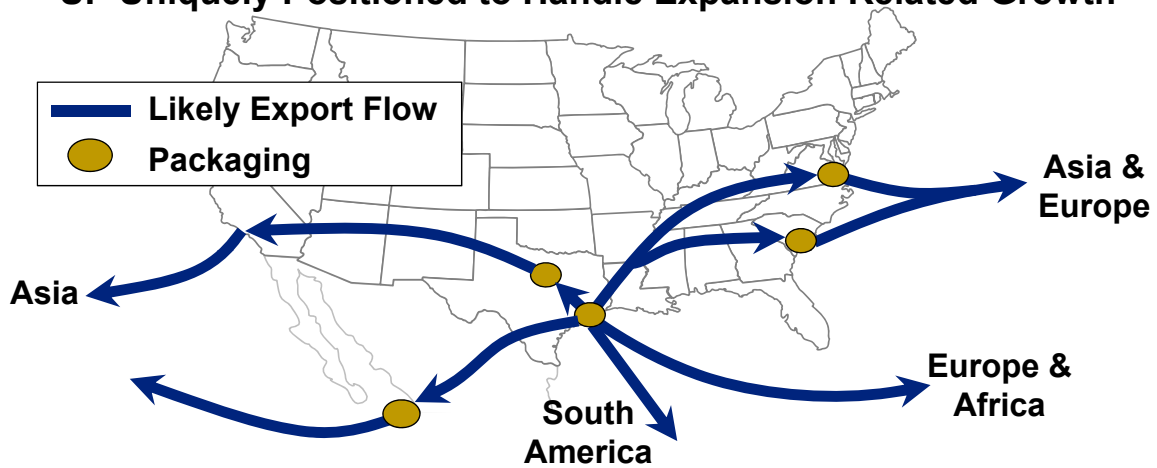
- 2015 – 2020**
- Ind. Chemicals - 14
  - Fertilizer - 13
  - Plastics - 21



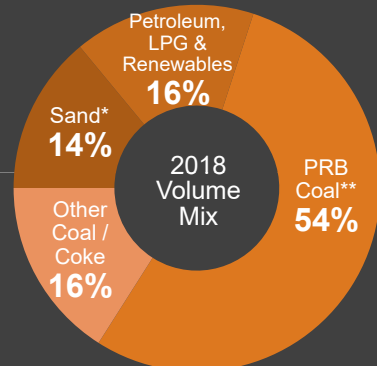
# Chemical Export Opportunities



- North American Production Will Exceed Domestic Demand
- Surplus U.S. Production Targeted for Export
- UP Uniquely Positioned to Handle Expansion Related Growth



**Energy**  
2018 Revenue  
**\$4.6 B**



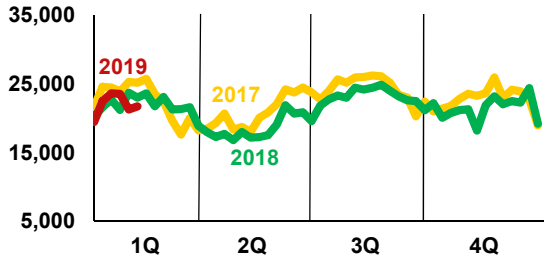
\* Sand includes Barites  
\*\* PRB includes SPRB and NPRB

# Energy - Coal Trends



## UNP Weekly Coal Carloads\*

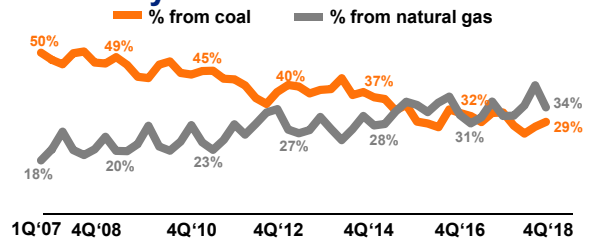
(As reported to the AAR)



\*Through February 9, 2019

- Weather Impacts Demand
- Natural Gas Prices
- Coal Inventory Levels

## Electricity Generation Market Share\*\*



\*\*U.S. Energy Information Administration (EIA)

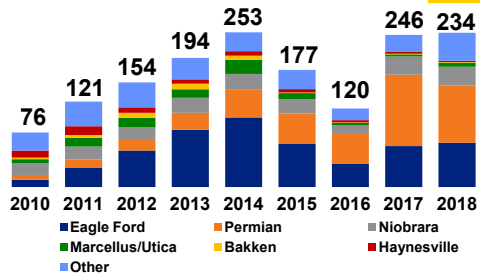
# Shale-Related Volumes

3.5% of 2018 Total Volume



2018	Volume (000s)	% Incr (vs 2017)	% of Total UP Volume
Frac Sand**	234	(5%)	2.6%
Crude	46	233%	0.5%
Pipe	32	43%	0.4%
Total Shale	311	10%	3.5%

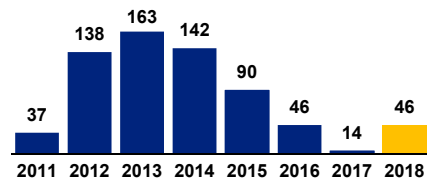
## Frac Sand Volume\*\* (By Shale, 000s)



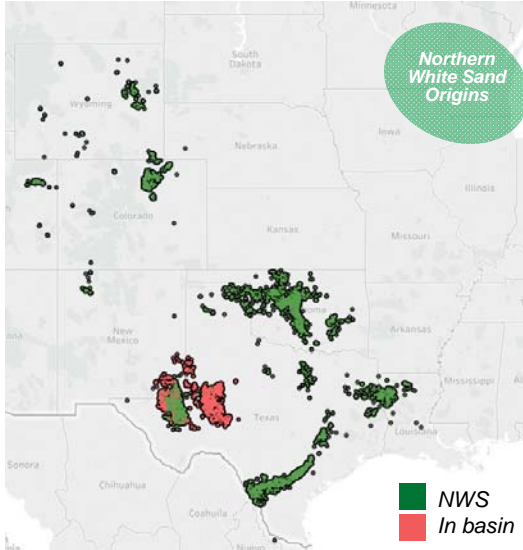
## • Frac Sand Drivers

- Energy Prices
- Rig Counts
- Enhanced Fracking Technology
- White / Brown Sand Mix

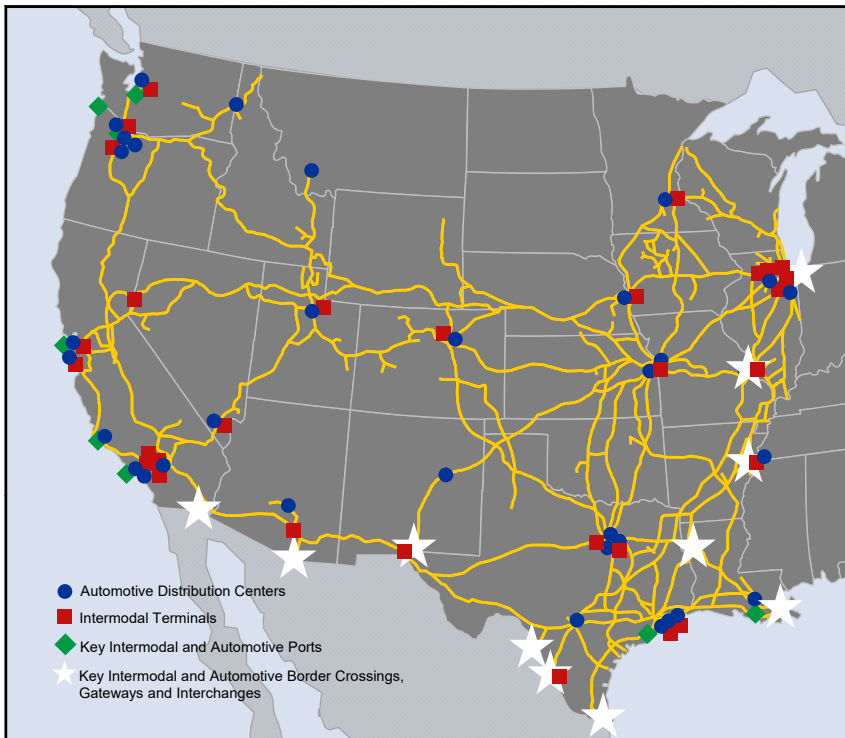
## Crude Oil Volume (000s)



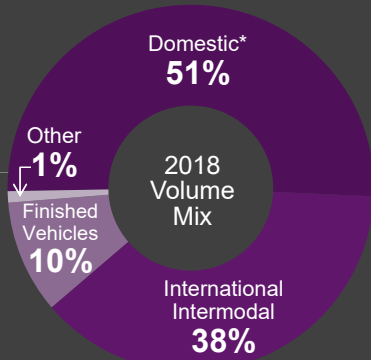
# Sand – A Changing Landscape



- UP Sand portfolio:  
~80% Northern White Sand  
~20% Regional Brown Sand
- Pockets in the Permian demand Northern White Sand due to geology and E&P preference
- Northern White Sand mines focused on diversifying outside of the Permian

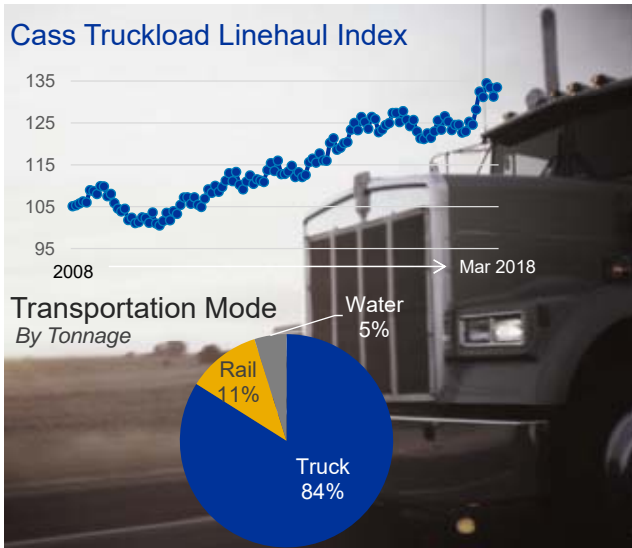


**Premium**  
2018 Revenue  
**\$6.6 B**



\* Domestic includes domestic intermodal and auto parts moved in intermodal containers

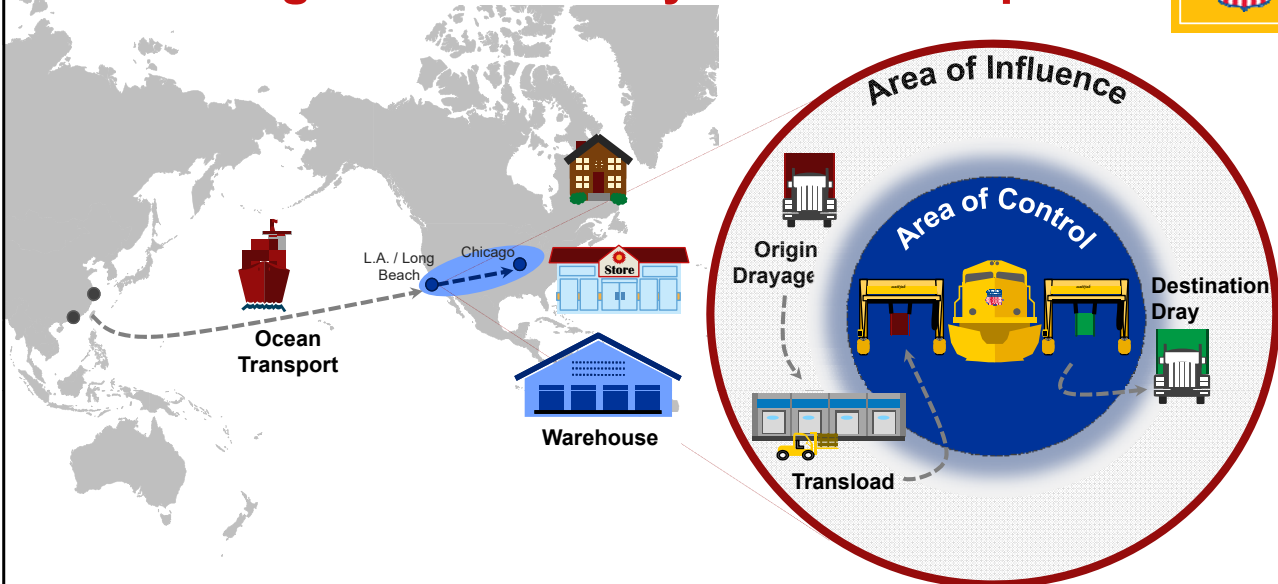
# Highway Conversion Growth Opportunities



- Highway Conversion Opportunities in All Business Groups
- ELD Impact
- Tight Truck Capacity
- LOUP
- Growing Highway Congestion

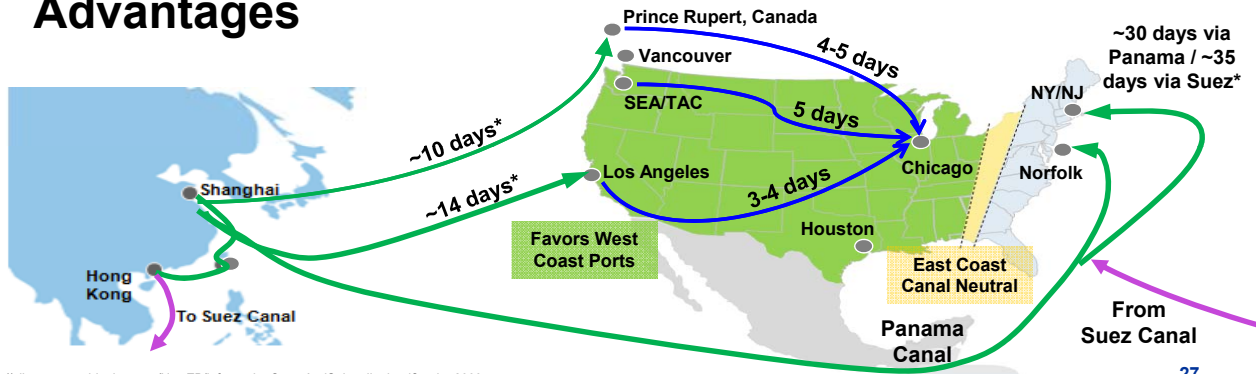
Source: Cass Information Systems, Index uses January 2005 as its base month, U.S DOT Bureau of Transportation Statistics

# Extending Our Reach Beyond the Ramp



## International Intermodal

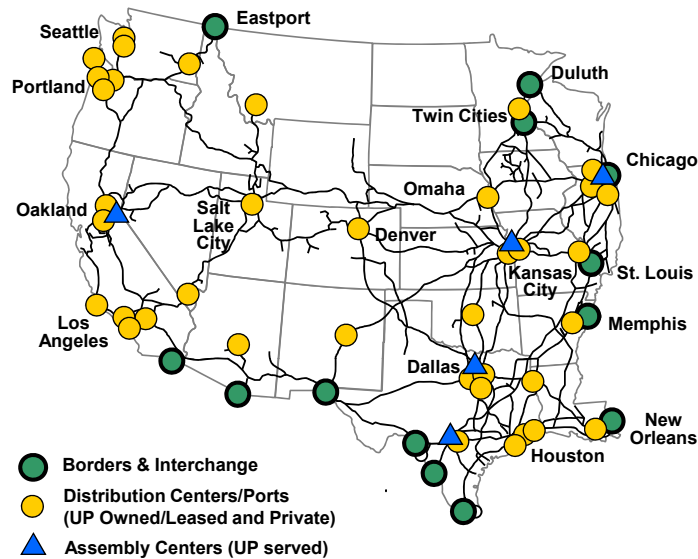
- Transpacific Market Challenges
- Retail Inventories
- West Coast Port Advantages



\*<http://elines.coscoshipping.com/NewEB/informationQueryAndSubscribe.html?node=2003>

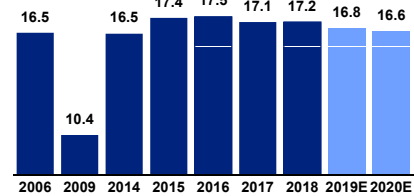
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## Premium – Finished Vehicles



\*Source: Global Insight

### U.S. Light Vehicle SAAR\*

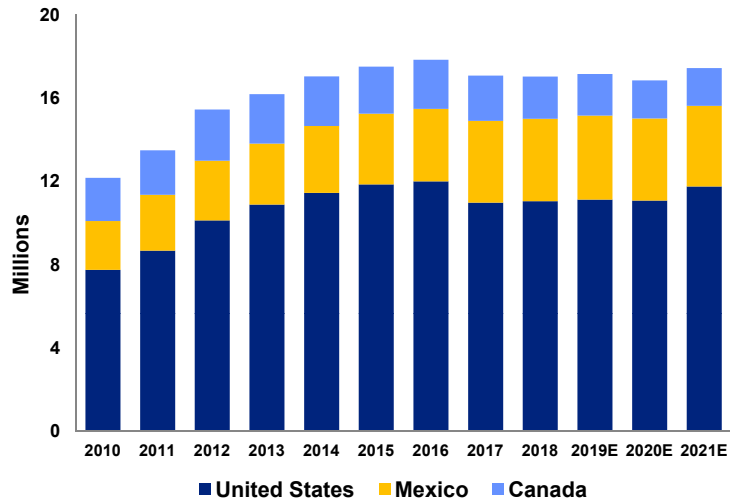


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# North American Auto Production



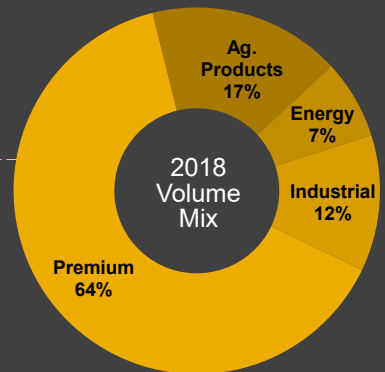
## North American Light Vehicle Production Forecast\*



\*Source: Global Insight



**Mexico**  
2018 Revenue  
**\$2.5 B**



# 2019 Volume Outlook



## Agricultural Products

- + Biofuels
- + Food and Beverage
- ? Grain



## Industrial

- + Plastics
- + Industrial Production



## Energy

- + Petroleum Products
- Frac Sand
- Coal Headwinds



## Premium

- + Light Truck / SUV Sales
- + Over the Road Conversions
- ? Trade & Economy



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## Operating Overview

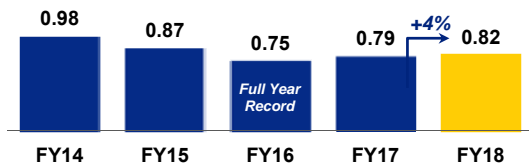


# Safety

## Employee

(Reportable Personal Injury Incidents Per 200,000 Employee-Hours)

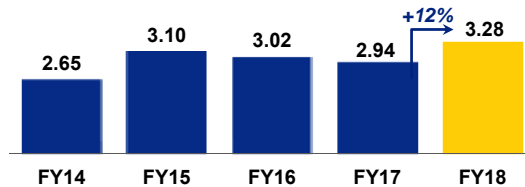
Good ↓



## Rail Equipment

(Reportable Derailment Incidents Per Million Train Miles)

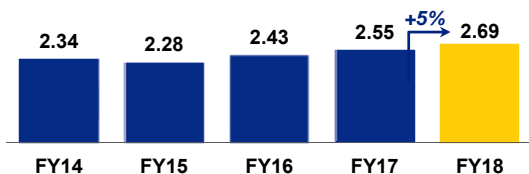
Good ↓



## Public

(Crossing Accidents Per Million Train Miles)

Good ↓



- Continued Focus on Safety
- Goal of Zero Incidents

# Unified Plan 2020

## Precision Scheduled Railroading Tenets

- Shifting the focus of operations from moving trains to moving cars
- Minimizing car dwell, car classification events and locomotive requirements
- Utilizing general-purpose trains by blending train services
- Balancing train movements to improve the utilization of crews and rail assets

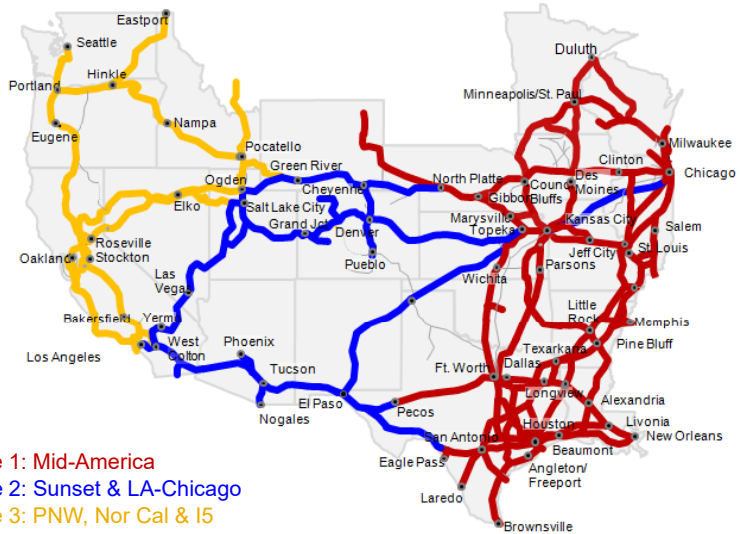


# Unified Plan 2020 Update

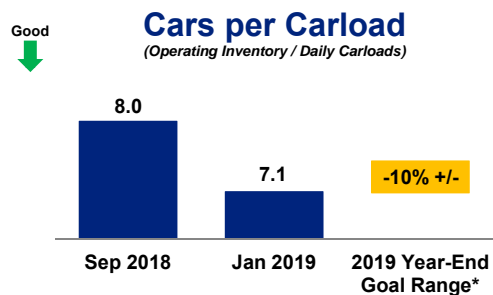
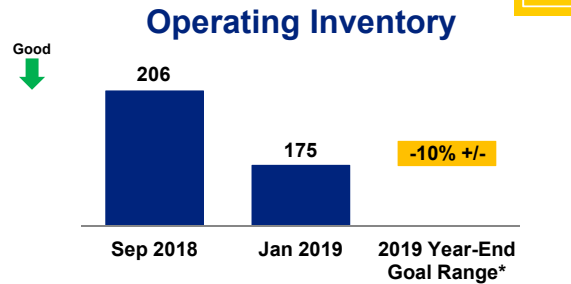
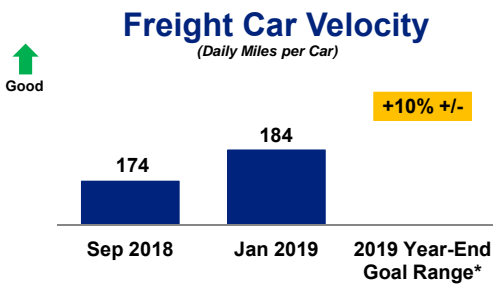


## Unified Plan 2020 Phases

- Phase I Implementation Began October 1<sup>st</sup>
- Implementation Underway for Phase 2
- Phase 3 Planning to Begin January 28<sup>th</sup>
- Full Implementation by Mid-2019



# Unified Plan 2020 Key Performance Indicators



- Faster Car Cycle Time
- Fewer Cars Online
- Reduced Terminal Dwell

\* Based on October 24, 2018 7-day averages as reported during 3Q 2018 earnings release

# Unified Plan 2020

## Key Performance Indicators

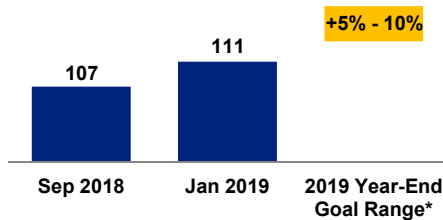


### Locomotive Productivity

(GTM per Horsepower Day)



Good

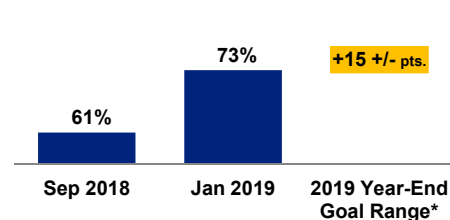


### Car Trip Plan Compliance

(% Cars On Time)



Good

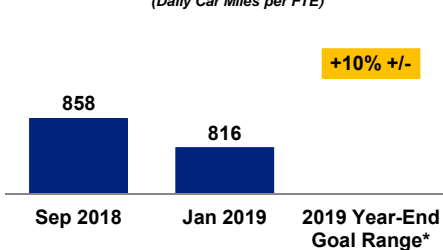


### Workforce Productivity

(Daily Car Miles per FTE)



Good



- ~1,500 Locomotives Removed From Active Fleet Since Aug '18
- Fewer Manifest Service Issues
- Seasonality Affecting Workforce Productivity

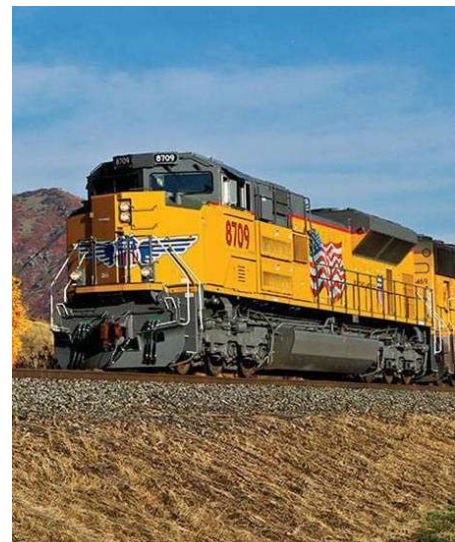
\* Based on October 24, 2018 7-day averages as reported during 3Q 2018 earnings release

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# Positive Train Control (PTC) Status Overview



- Approximately \$2.8 Billion Invested through December 2018
- Total Estimated Investment ~ \$2.9 Billion
- Field Testing since October 2013
- By the End of 2018 UP will have PTC:
  - Installed on 100% of Required Rail Lines
  - Implemented on 75% of Required Rail Lines
- Continue Implementing, Testing and Refining PTC in 2019 & 2020



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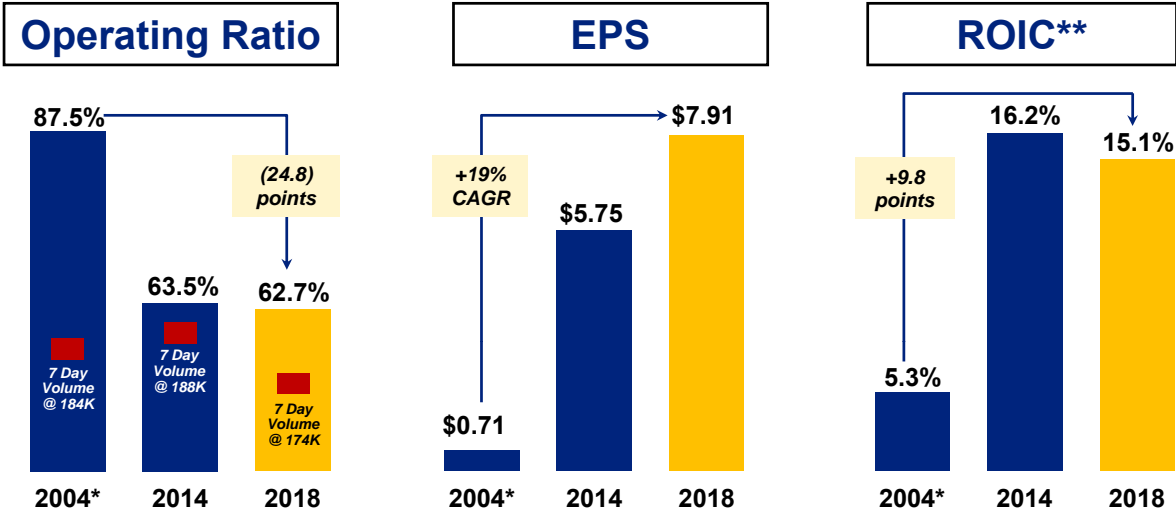


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# Financial Review

## Financial Performance

Expanding Margins and Driving Returns

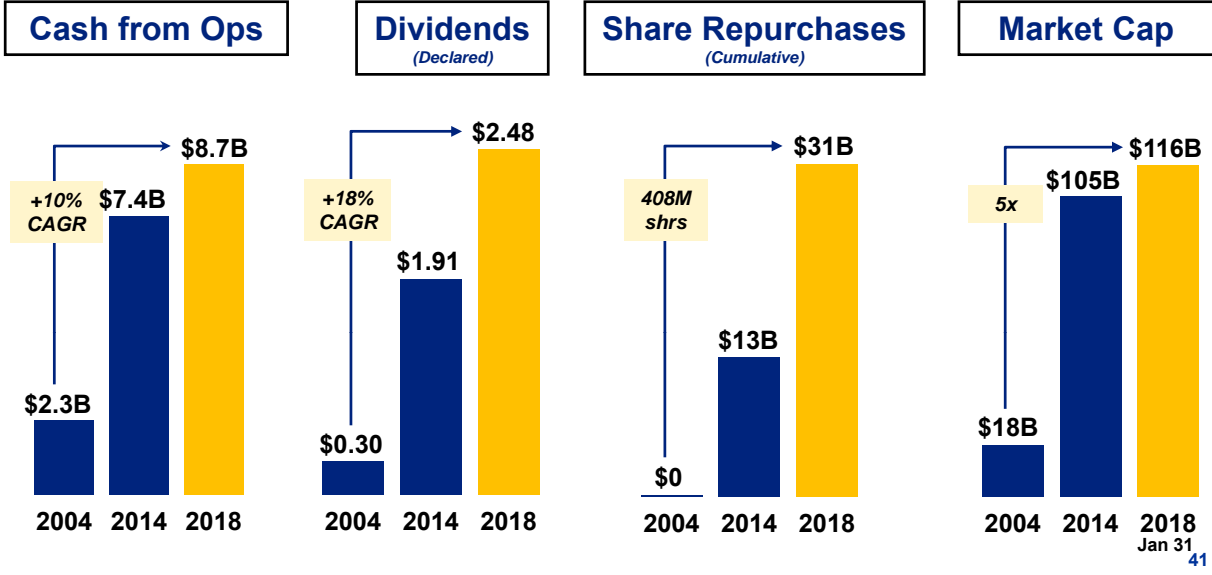


\* 2004 adjusted for asbestos pre-tax charge of \$247.4 million.

\*\* See Union Pacific website under Investors for a reconciliation to GAAP.

# Financial Performance

Growing Cash Flow and Shareholder Returns

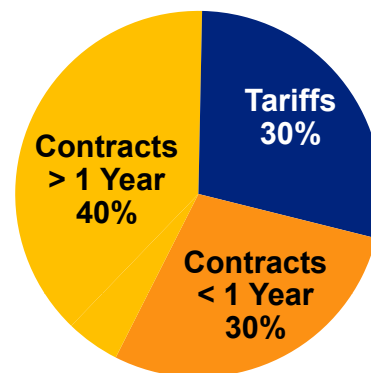


# Pricing Fundamentals



- Value is the Key to Future Price Improvement
- Balanced Portfolio Provides Flexibility for Repricing as Value Grows
- Solid Core Pricing

Balanced Revenue Portfolio



# Productivity Update



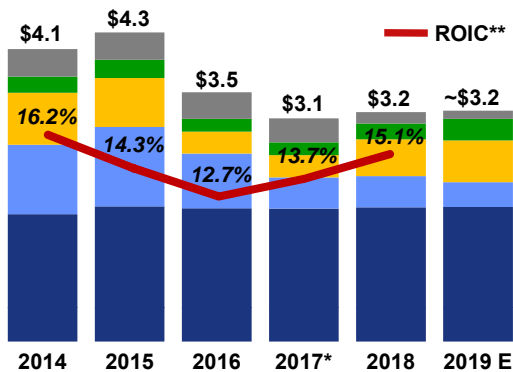
- Productivity Gains of \$65 Million, Offset by ~\$20 Million of Service Related Costs in 4Q18
- Full Year Net Productivity of \$90 Million
- Service Related Costs Eliminated Going Forward
- Focused on G55+0 and UP 2020 Initiatives

4Q18	2018	Net Productivity by Category	
			<i>(\$ in millions)</i>
\$10	(\$55)	Network and Train Ops	<i>Fuel consumption, slower velocity &amp; TE&amp;Y recrew partially offset by HDC, volume leverage</i>
\$20	\$10	Equipment (Loco and Car)	<i>Lease savings, partially offset by car cycle times and higher active locomotive fleet</i>
\$15	\$135	Other Ops, Support, Sourcing, Mgmt & Admins	<i>Support, Engineering, Joint Facilities, Supply</i>
<b>\$45</b>	<b>\$90</b>	<b>Net Results</b>	

# Capital Program



## Capital Spending & Returns



- Positive Train Control
- Technology / Other
- Capacity / Commercial Facilities
- Locomotives / Equipment
- Infrastructure Replacement

- Return-Focused Capital Program
- Productivity Through G55+0 Initiatives
- Capex Less than 15% of Revenue Longer-Term

\* Adjusted to exclude the impact of Corporate Tax Reform.

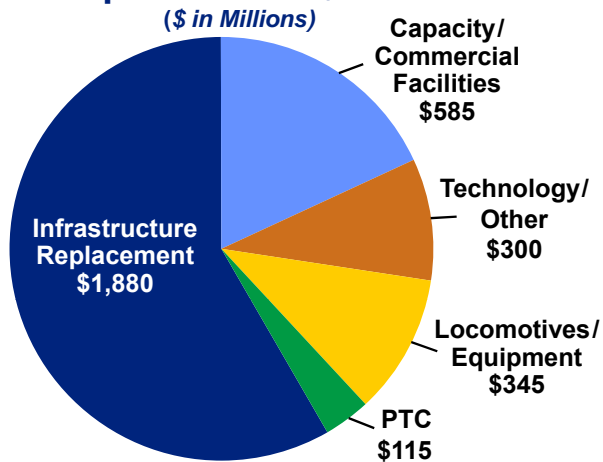
\*\* See Union Pacific website under Investors for a reconciliation to GAAP.

# Strengthening the Franchise

Replacement, Growth & Productivity, and PTC



## 2019 Capital Plan: ~\$3.2 Billion



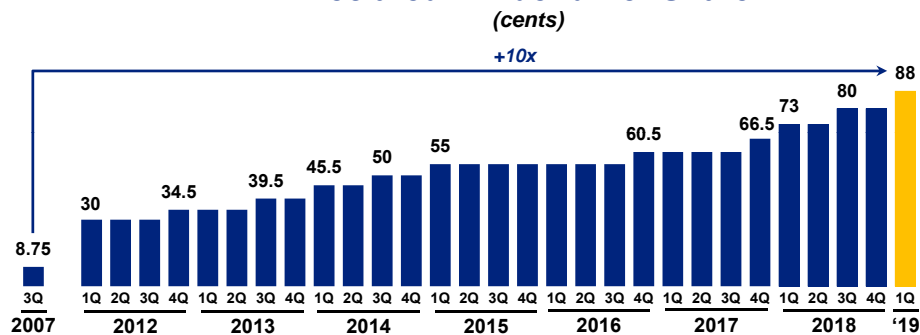
- Safe & Resilient Infrastructure
  - Locomotive Modernizations
  - Targeted Freight Car Acquisitions
- Equipment Acquisitions
  - Targeted Opportunities
  - Intermodal Growth
- Capacity & Commercial
  - Targeted Opportunities
  - Intermodal Growth
- Lower PTC Spending

# Dividends



- Dividend Payout Target of 40% to 45%
- Four Dividend Increases in the past Six Quarters

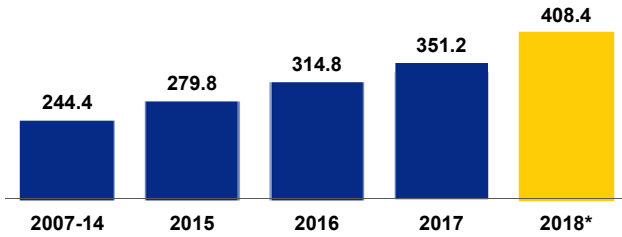
## Declared Dividend Per Share



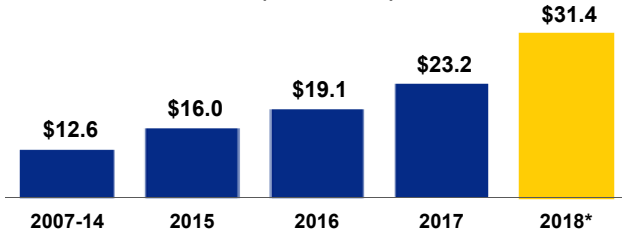
# Cumulative Share Repurchases



**Cumulative Share Repurchases**  
(In Millions)



**Cumulative Share Repurchases**  
(\$ In Billions)



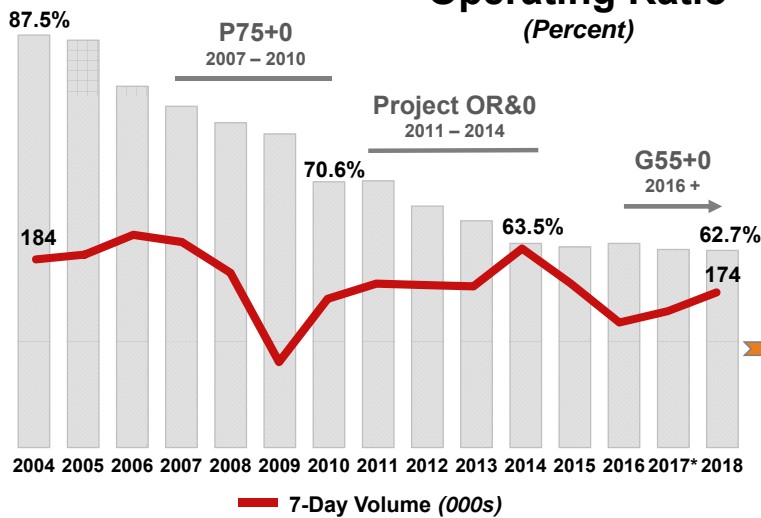
- Repurchased ~38% of Shares since 2007
- Share Repurchase Program
  - Three Years Beginning April 1, 2019
  - Up to 150 Million Shares
- \$3.6 Billion Accelerated Share Repurchase Program June 2018

\* Through December 31, 2018

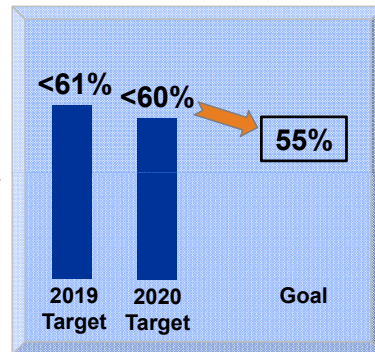
# Growing Margins



**Operating Ratio**  
(Percent)



**Unified Plan 2020 and G55+0**



\* Adjusted to exclude the impact of Corporate Tax Reform and include the retrospective adoption of ASU 2017-07



## Drivers of Margin Improvement



	2015 - 2017	2018 - 2020+
Volume	(11%)	Positive Volume Growth
Price	\$1.3 B	Above Inflation
Productivity	\$1 B	Achieve Through Innovation & Efficiency Gains

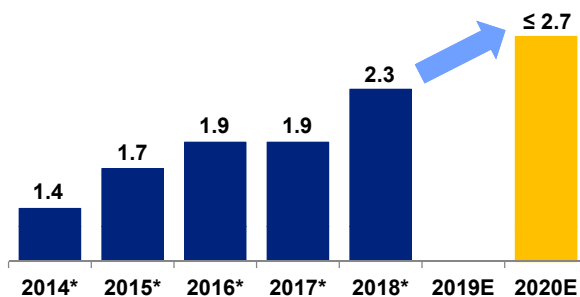
- Sub-61% Operating Ratio by 2019
- Below 60% Operating Ratio by 2020
- Unified Plan 2020 & G55+0 Opportunities
- Growing Earnings & Cash Flow

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## Capital Structure



### Adjusted Debt / EBITDA



- Increased Leverage
  - Consistent Financial Performance
  - Tax Reform
  - Free Cash Flow Growth
- Target Debt / EBITDA ratio: up to 2.7x
- Maintain Strong Investment Grade Credit Rating
  - No Lower than Baa1 and BBB+
- Dependent on Economy and Achievement of Financial Goals

\* at year-end

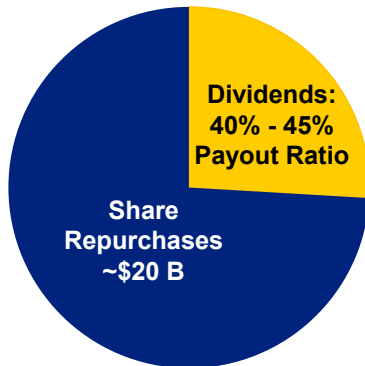
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## What This Means for Shareholders



**Return ~\$20 Billion + Dividends to Shareholders**

### Cash to Shareholders 2018 to 2020



- ~\$20 Billion of Share Repurchases Over Next 3 Years
  - ~40% Complete at Year-End 2018
- Dividend Payout Ratio of 40% to 45%

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## 2019 Financial Outlook



- Volume Up Low Single Digits
- Pricing Will Exceed Inflation Dollars
- Significant Benefits from G55 + 0, Including Unified Plan 2020
  - At Least \$500 Million of Productivity in 2019
- Operating Ratio Guidance:
  - Sub-61% in 2019
  - Below 60% by 2020
- Capex of ~\$3.2 Billion in 2019 and Less than 15% of Revenue Longer-term



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## Growing Shareholder Value



KEY DRIVERS	2018 - 2020
Firm Economy Diverse Franchise Opportunities	Positive Volume Growth
Strong Value Proposition	Real Core Price \$ Above Inflation \$
Volume + Pricing + Productivity	Sub-61% OR by 2019, Below 60% OR by 2020
Return-Focused Capital Program	CapEx < 15% of Revenue
Increase Cash to Shareholders Increase Leverage Strong Credit Ratings	Share Repurchases: ~\$20 Billion over 3 years Dividend Payout Ratio: 40% to 45% Debt / EBITDA Ratio: ≤ 2.70 Baa1 and BBB+ or Better

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## Cautionary Information



This presentation and related materials contain statements about the Company's future that are not statements of historical fact, including specifically the statements regarding the Company's expectations with respect to economic conditions; its ability to generate financial returns, improve resource productivity and use innovation to enhance customer experience; implementing corporate strategies; and providing excellent service to its customers and returns to its shareholders. These statements are, or will be, forward-looking statements as defined by the Securities Act of 1933 and the Securities Exchange Act of 1934. Forward-looking statements also generally include, without limitation, information or statements regarding: projections, predictions, expectations, estimates or forecasts as to the Company's and its subsidiaries' business, financial, and operational results, and future economic performance; and management's beliefs, expectations, goals, and objectives and other similar expressions concerning matters that are not historical facts.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times that, or by which, such performance or results will be achieved. Forward-looking information, including expectations regarding operational and financial improvements and the Company's future performance or results are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statement. Important factors, including risk factors, could affect the Company's and its subsidiaries' future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements. Information regarding risk factors and other cautionary information are available in the Company's Annual Report on Form 10-K for 2018, which was filed with the SEC on February 8, 2019. The Company updates information regarding risk factors if circumstances require such updates in its periodic reports on Form 10-Q and its subsequent Annual Reports on Form 10-K (or such other reports that may be filed with the SEC).

Forward-looking statements speak only as of, and are based only upon information available on, the date the statements were made. The Company assumes no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information. If the Company does update one or more forward-looking statements, no inference should be drawn that the Company will make additional updates with respect thereto or with respect to other forward-looking statements. References to our website are provided for convenience and, therefore, information on or available through the website is not, and should not be deemed to be, incorporated by reference herein.

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